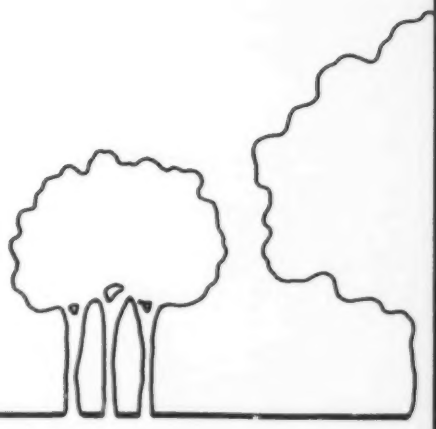
Responding to Change, Challenge, and Opportunity ...in the 1990's



Prince Edward Island Cabinet Committee on Government Reform

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Preface

In July, 1990, Government announced that it was taking steps to examine its role and structure as the Province enters the new decade. The pupose of this document is:

i) to introduce the Government Reform Initiative;

ii) to describe the many changes which have taken place in the Province over the past three decades; changes which will lead the Province towards a new set of challenges and opportunities over the coming years;

iii) to stimulate discussion and generate ideas on what these changes mean and how both government, community, and private sector interests might respond to ensure continued development within the Province.

This document is not intended to represent or suggest government policy direction. It is intended to initiate discussions which will identify areas where Reform is necessary and desirable.

Government has established a Cabinet Committee on Government Reform. The Cabinet Committee coordinating the reform initiative is chaired by the Premier, with the Minister of Industry, and the Minister of Health and Social Services as Committee members. A senior official has been assigned to direct and support the work of the Committee.

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I. Introduction

As the Province enters the 1990's, it is evident that there are a number of emerging forces, both national and international, which will impact on development within the Province over the next decade.

In this changing environment, government has a responsibility to provide leadership that will ensure continuing economic and social development for the Island community. This development is necessary so that the standard of living now enjoyed by Islanders can be sustained in the years ahead. Government's leadership role must be exercised in concert with industry, business, labour, non-profit organizations, and the academic community. Leadership requires that government anticipates the emerging issues, and involves the other partners.

The Government Reform Initiative is designed to consider the role of government in the 1990's, taking into account the economic and social environment that has developed in recent years. The Terms of Reference includes examination of the organizational structure of government with a view to improving efficiency and productivity; identification and reinforcement of programs whose objective is wealth creation; examination of relationships with Boards and Commissions to ensure that accountability and responsibility are clearly identified; and a review of programs to ensure that services delivered are relevant and will meet future needs.

II. The 1960's and 1970's — A Period of Development

In an historical sense, social and economic development on Prince Edward Island has been most dramatic in the last two to three decades. Prior to the 1970's, the Province was quite underdeveloped compared to many parts of North America. In a 1977 report, prepared by the Atlantic Provinces Economic Council, the situation on Prince Edward Island during the early 1960's was described as follows:

> *"... In the early 1960's the stagnation in the Prince Edward Island economy had become a serious concern for its politicians. Government costs had already begun to rise in education and social sectors. Out-migration was taking the prime of the Island's inhabitants, 80 percent of the out-migrants were under 29 years of age. The Island education system was incapable of providing its inhabitants with the training necessary for a relatively sophisticated labour market. The number of farms was declining, and the average age of farmers increasing. The latter promised only a further decline in farming population....*
>
> *In general the situation in Prince Edward Island was becoming critical, although everyday life maintained a slow-paced quality which was charming, especially in contrast to the relatively fast-paced life of more 'developed' regions. Some sort of rural reconstruction or rural development became a concern of re-elected officials and others on the Island. Government programs had provided short-term aids to the unemployed and subsidies to farmers, but if Prince Edward Island was to survive economically and have the opportunity to thrive, something drastic and of long-term benefit had to be done...."*

As the excerpt indicates, the social and economic situation within the Province in the 1960's offered several opportunities for positive action:

- enhancing educational achievement
- improving social infrastructures
- developing government organization
- encouraging economic sector growth
- reversing the high out-migration trend
- increasing employment opportunities

Beginning in the mid-sixties, the government began a process to address many of the basic needs in a comprehensive manner. This process concluded in 1968 when the Comprehensive Development Plan Agreement was signed with the Federal Government. This Agreement established the broad blueprint for social and economic development for the Province.

Over the past twenty to thirty years, Islanders have seen a significant improvement in the general standard of living, and economic and social 'well-being'. Today Island residents have access to services, supports, and opportunities which simply did not exist within the Province prior to the 1970's.

Change is often a close partner of development and growth. This has been the case on Prince Edward Island. There has been a major change in the basic structure of the economy, moving from one based on the primary resources of farming and fishing to one driven by the service sector.

Along with the shift in the structure of the economy, have come major shifts in the population location, the demographics, the educational level of the population, and the make-up of the personal income of Islanders.

The following illustrates some of the more significant changes within the Island economic and social environment.

A. The Economy

The Dramatic Growth of the Service Sector

Growth in Gross Domestic Product and employment in Prince Edward Island over the past 30 years have been dominated by the service sector.

- Since 1961, 77% of the growth in the provincial Gross Domestic Product has been in the service sector.
- The service industry growth in Prince Edward Island has been heavily influenced by 'non-market' services, such as health, education, public administration, etc.
- The service sector labour force has grown from 14,800 in 1961 to 36,000 in 1986.

The Changing Impact of the Primary Resource Sector

The impact of the primary sector in the provincial economy has changed significantly.

- At the turn of the century, 85% of the population lived and earned its income through farming activities. By 1986, this had fallen to 8%.
- Based on the 1986 census, less than 1,000 farms in the Province produce about 85% of the value of farm sales. In general, these farms are productive and effective business enterprises, representing more than just a way of life.
- Tourism, travel, and recreation are growing industries on the provincial, national, and international levels. Tourism expenditures in Prince Edward Island have grown from $20 million in 1972 to $98 million in 1989.

The Incremental Growth within the Manufacturing Sector

Manufacturing has been a developing aspect of the Prince Edward Island economy. Although gains have been made recently with the announcement of the processing plants, the direction has been one of incremental growth.

- Direct employment in the manufacturing sector has grown from 3,000 in 1961 to 6,400 in 1986.
- P.E.I. manufacturing has traditionally faced a number of disadvantages in manufacturing and processing, including size, electricity costs, transportation, marketing, low productivity, and access to quality research and development.

B. Demographics

The 'baby boomers', smaller families, role of women in the economy, and general economic changes are all reflecting changing demographic patterns and geographic location of the population.

Modest, but Steady Population Growth

- The Island's population has increased over the past two decades, from 109,000 in 1966 to 130,000 in 1990. Long-term population growth is expected to be moderate.
- P.E.I. has an aging population – the under 14 age group has been on steady decline since 1963. In 1961, the over 65 age group numbered 10,900; in 1986, it numbered 15,400. This may have particular significance for both the future Prince Edward Island work force and human services.
- For the better part of the century, the net population movement was generally outward. In the 1970's, the general net population movement shifted back to P.E.I., and with a few exceptions, has continued.

The Importance of Education

- The percentage of the work force with less than grade 9 education has declined from 37% in 1971 to 20% in 1986; however, this is still one of the highest in Canada.
- The percentage of the population with a university degree has more than doubled since 1971 – now 7.4%. However, this is below the national average which is 9.6%.

Growing Labour Force

- There has been considerable growth in the labour force in the past 30 years, mainly as a result of the growth in the female labour force. Between 1961 and 1986, the female labour force jumped from 8,100 to 27,000. The female labour force in 1911 was 3,900.
- Between 1961 and 1986, the male labour force increased from 26,000 to 36,000. The male labour force in 1911 was 27,900.

Urbanization

- Growth in the past 30 years has been concentrated in the suburbs and rural areas surrounding Charlottetown. The Montague-Cardigan and Summerside areas have shown moderate growth.
- The population within the greater Charlottetown area is now approaching 50% of the total Province's population.
- More than 75% of the Province's population lives within a 15 mile radius of Charlottetown and Summerside.

C. Changing Family Patterns

Over the last twenty-five years, the family unit in Prince Edward Island has been changing in both size and composition. The changes in families and family structures have important implications for the design of social and economic policies.

- Average family size has declined steadily from the mid-1960's until the early 1980's. The smaller family size corresponded to a decline in the birth rate which fell from 27.1 births per 1,000 population in 1961 to 15.1 in 1989.
- Lone-parent families as a proportion of all families, have increased dramatically, especially since the early 1970's. In 1971, lone-parent families numbered 1,200 and constituted less than 9% of families with children at home. In 1986, the number of lone-parent families had increased to 4,000 and, as a proportion of all families with children, had grown to 17.5%. Over 80% of lone-parent families are headed by women.
- The proportion of Islanders living alone has been on the increase; in fact, it has doubled since 1961. In 1986, almost 18% of all households were people living alone, compared with 9% of households in 1961.

".... Major pressures for change generally come from outside the organization in the form of competitive pressures, demand from consumers, availability of new technologies, financial markets, social and economic factors. If organizations do not respond and adapt to these pressures, they eventually die."

- Roger Plant -
Ashridge Management College

Managing Change
"Industrial and Commercial Training Magazine" -
October 1989

IV. The 1990's — Emerging Forces of Change

It is evident that many of the most significant factors affecting both the economic and social sectors appear to be linked, in large measure, to trends, events, and dynamics within the national and global context.

A. Global

The Evolving Global Trade Environment

The boundaries around the marketplace have changed. To appreciate the significance of this, one has only to note the dynamics within our local markets; e.g. produce and goods at the local supermarket, destinations open to the tourist, appliances in our homes, and office products used daily to operate our businesses.

- The growing importance of world markets, such as Japan, Europe, and the Middle East to the local economy, will challenge our capacity to market Island products.
- The flow and impact of information which can instantly make new developments and products known to markets, as well as destroy markets because of quality or health concerns, must be taken into account.
- The national and global movement to market economies and the acceptance of market principles in guiding policy will be a reality in the 1990's.

Environmental Awareness

The 1990's have been referred to as the decade of the environment. All levels of government – Federal, Provincial, Municipal – are beginning to establish a range of environmental protection and enhancement measures aimed at ensuring economic growth which is sustainable in the long-term. Dealing with the consequences of environmental degradation will impact on the Province's financial capability, as well as personal lifestyle and behaviours. At the same time, such action is essential to continued economic growth and offers much by way of new opportunity.

Changing Labour Market

The polarization of the labour market into low paying jobs and high paying jobs has already been markedly in evidence over the past decade. This trend will present a significant challenge to the larger educational system over the next decade.

B. National and Provincial

Federal Fiscal Position and Policy Framework

The federal fiscal situation has not improved despite the efforts of the Federal Government. The consequences of running substantial annual deficits are apparent. The Federal Government appears to have little flexibility to address economic and social problems in the country. A continuing emphasis on fiscal management in an effort to avoid an even worsening financial situation is inevitable.

Recent economic and fiscal policy initiatives by the Federal Government clearly indicate the national direction for the 1990's. Some of these initiatives include free trade, tax reform, privatization, deregulation of activities such as air traffic, trucking, telecommunications, and reform of the Unemployment Insurance Program.

The Changing Federal-Provincial Climate

The changing dynamics of federal-provincial relations have the potential to generate impacts, many as yet unknown, on the social and economic fabric of all Provinces. One of the most immediate consequences is that this Province must now begin to identify and analyse its strategic 'linkages.' What are the critical linkage issues for the Province? (E.g. trade, transportation, communications, and fiscal arrangements). Are they regional, national or international in nature?

National 'Issue-Specific' Lobbying

Over the past few years, the number and nature of various lobby groups have increased. Lobbying pressure seems to be evident in all sectors; e.g. consumer rights, human rights, special needs, and equity issues. These various groups are becoming more sophisticated in their approach, and are placing intense pressure on governments to respond to their needs and demands.

Personal Service Trends

Individuals have a greater tendency to expect and demand a level of service which goes beyond what programs can provide. These escalating service expectations will continue to put pressure on existing services.

- People are increasingly seeing themselves as consumers of services, rather than beneficiaries or recipients. This implies a shift from passivity to active power over these services.
- The view and attitude toward many social ills is changing. Perhaps the most striking example of this trend is the growing social concern about family violence and sexual abuse.

- The growing complexity and sophistication of the services of many volunteer agencies has led to a need for more professional staff. This trend is bringing forth pressures to fund previously unpaid services.
- Advances in technology have contributed to an expectation of perfect outcomes within the population. This is perhaps most evident with respect to medical issues. No matter what the medical condition, many have come to believe that there must be a cure or treatment that can be accessed.

These trends are not all necessarily negative or troublesome; but, they do indicate that the dynamics within the larger environment are changing, and policy-makers and program administrators will need to adjust.

C. Government

The Changing Role of Governments

The examination by governments regarding some of its current activities is imminent and the development of partnerships between the public, private non-profit, and business sectors will be an increasing trend. Increasingly, governments will become *A* player in the resolution of many economic and social issues, but not *THE* player.

Public Accountability

Over the past decade, significant public interest has been focused on how good a job government is doing in virtually every area of activity in which it is involved: economic development, health care, education, social services, and community services. This interest and concern for accountability comes at a time when both the social and economic conditions reinforce the view that government must continue to strive to be both effective and efficient.

Governing Structures

Governing structures at the national, provincial, and local levels are becoming much more complex. Various interest groups and communities are continuing to seek mechanisms or vehicles to address and manage the issue that they feel is important. As the number of governing structures increases, there is a tendency to slow decision-making and stifle creativity.

"Even in a relatively small system, like that of Prince Edward Island, it's easy to become worn by the grinding process of government. It's easy to stick with what's comfortable, what's time-honoured and tested. But the challenge, in these changing times, is to constantly remain fresh — to change — to introduce new ideas — and above all — to plan."

- Premier Joseph Ghiz -

Speech to Charlottetown Rotary
July 23, 1990

V. Conclusion

The message to the reader is clear – change. Individuals, communities, industries, and governments are experiencing the impact of trends and events that were simply not evident a few years ago. The dynamics of the 'marketplace' are generating new needs, demands, and expectations in both the economic and social sectors. Government must spend some time in analyzing this new environment, and determine what is its appropriate role as it enters the 1990's.

VI. Opportunity

As we have seen, change can bring challenges; it can also provide new opportunities. The Reform Initiative will focus on identifying strategic opportunities available to the Province, and put in motion a process to explore and capitalize on these opportunities.

Opportunities which might be offered by:

- The 'value-added' emphasis on the products from our primary sectors; how can the Province maximize its advantage in this area?
- The growth of our education, research, and development capacity through our higher education institutions and technology centres; what potential do these centres hold for P.E.I. over the next decade?
- The Province's physical and environmental assets; how might these be utilized in growth and development strategies?
- The public/private partnership; this relationship is currently underdeveloped; but, what are the possibilities in developing this alliance to enhance economic and social development?
- Human resource development; developing an outward-looking, innovative, and confident attitude with public/private interests and the general public is vital; how might this be achieved?
- The acceptance of the service sector as a necessary and valuable partner in sustaining economic growth; how can this important and necessary integration be strengthened?
- The broader educational system; there is increasing pressure on the system to respond to a continuum of diverse needs; what should be the realistic objectives for the broader educational system in the next decade?

- The health care and social service systems; there is a need to begin to promote healthy living; how can the system begin to move from a passive-reactive mode to a proactive-educational model of intervention?
- Rural development; in view of the global and national trends towards concentration, what is necessary and realistic in terms of sustaining the rural character of the Island?
- A revitalized public service; it is important that our public service sector functions in an environment which allows it to be professional, innovative, challenged...

VII. The Challenge

Over the past twenty-five years, government has assumed a strong leadership role in the economic and social sectors in Prince Edward Island. This leadership role was necessary, as the 'development' void in both the economic and social sectors was so great; however, the role that may have been appropriate in the past may not be effective in the future. Government's approach and message may need to be more strategically focused, resources may need to be redirected, and systems may need to be realigned.

The recently announced Initiative on Government Reform has been mandated to examine a number of areas within government. The specific Terms of Reference are:

i) To examine the organizational structure of the Provincial Government and to recommend appropriate changes which will improve the efficiency and productivity in the delivery of the public services;

ii) To examine major programs delivered by Departments and Agencies of the Provincial Government to ensure that services delivered are relevant and meet the present and future needs of those being served, bearing in mind the limited fiscal capability of the Province;

iii) To identify and eliminate any duplication in service delivery;

iv) To identify and reinforce those programs which have as their objective wealth creation;

v) To examine relationships with various Boards and Agencies to ensure that accountability and responsibility are clearly identified;

vi) To improve access to government services;

vii) To consult widely with 'client organizations' to ensure that services offered are appropriate, legitimate, and meet actual needs.

The Committee on Government Reform recognizes that there is a major challenge in identifying and adjusting to the social and economic realities of the 1990's.

The Committee further recognizes that individuals and organizations, both within and outside the public sector, will need to become involved in the eventual discussions and deliberations on various issues. Over the course of the next year, the Reform Committee will be placing emphasis on consultation, team building, and communication to assist in its task.

CONSULTATION – The Committee believes that those who have a stake in the final product must play a role in the development of the issue, the options, and the outcome.

TEAM BUILDING – The Committee believes that partnerships have to be developed to build understanding and to reflect and endorse a 'doing with' philosophy.

COMMUNICATION – The Committee believes two-way communication is most effective, and it is committed to not only hearing, but also listening to the views of others.

In summary, there is a new reality facing Prince Edward Island, and as a Province we have to explore how best to deal with this new reality. The creation of the initiative on Government Reform is a first step in dealing with the emerging challenges. Government must take the lead in understanding and interpreting the changes and challenges that are ahead, and begin to adjust to how it can most effectively respond on behalf of all Islanders.

The reform task will be greatly assisted by the many talented, hard-working, and dedicated Islanders, both within the public service and in the private sector, who are deeply interested in the future of the Province. With the commitment and investment of Islanders, Prince Edward Island will continue to prosper and develop as we meet the challenges that lie ahead.